

RA07
Interagency Commission on School Construction– Capital

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2023 Approp.	2024 Request	2025	2026	2027	2028
Built to Learn	\$699.300	\$447.231	\$316.043	\$150.344	\$25.000	\$25.000
Public School Construction Program	522.000	485.000	216.500	216.500	280.000	280.000
EGRC Supplemental Capital Grant	95.391	40.000	40.000	40.000	80.000	80.000
Healthy School Facility Fund	90.000	90.000	90.000	90.000	0.000	0.000
Revolving Loan Fund	40.000	20.000	10.000	10.000	0.000	0.000
Aging Schools	6.109	6.109	6.109	6.109	6.109	6.109
Nonpublic Aging Schools	3.500	3.500	3.500	3.500	3.500	3.500
Total	\$1,456.300	\$1,091.840	\$682.152	\$516.453	\$394.609	\$394.609

EGRC: Enrollment Growth and Relocatable Classroom

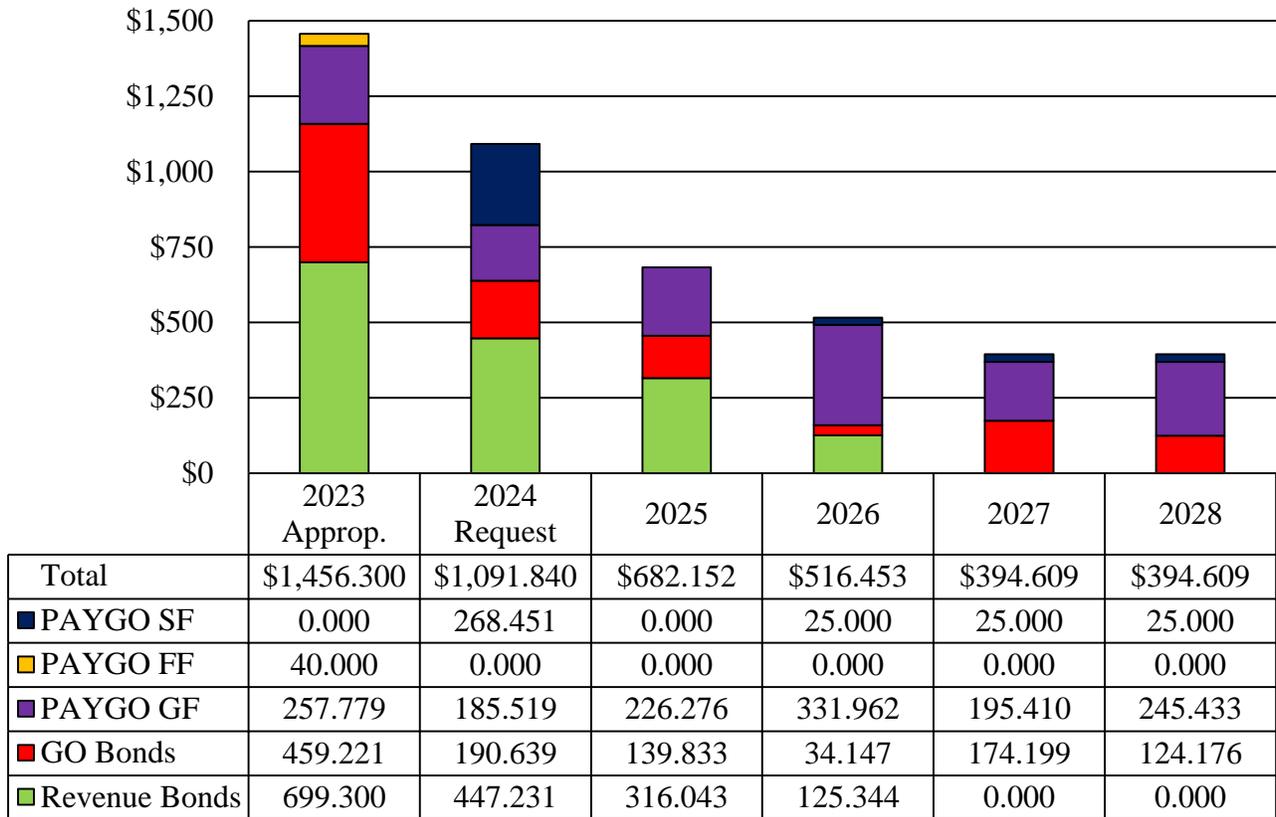
Note: The Built to Learn program revenue bond estimates are based on a total of \$2.0 billion available for this purpose. The revenue bond issuance shown for fiscal 2023 occurred in fiscal 2022; no bond issuances occurred in fiscal 2023. Fiscal 2024 revenue bond issuance is from the Governor’s proposed budget; fiscal 2024 to 2026 revenue bond estimates are based on approximate bonds left in the remaining issuance; and fiscal 2027 and 2028 Built to Learn funds are pay-as-you-go special funds applied to the Prince George’s County public-private partnership as specified in Chapter 698 of 2021. As in fiscal 2023, the Public School Safety Grant Program and the Nonpublic School Security Grant Program remain in the operating budget and use general funds for that purpose, and therefore are no longer part of the capital budget. For more information on these programs in fiscal 2024, see the operating budget analysis for the Maryland State Department of Education – R00A01.

Source: Governor’s Fiscal 2024 *Capital Improvement Program*

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FF: federal funds
 GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Source: Governor’s Fiscal 2024 *Capital Improvement Program*

Key Observations

- With the enactment of the Built to Learn (BTL) program, total school construction funding eclipses \$1.0 billion for the third consecutive year. The budget maintains the current investment in school construction using general obligation (GO) bond and pay-as-you-go (PAYGO) funds including special funds from the Fiscal Responsibility Fund, which is the new funding source for school construction in fiscal 2024. This budget also allocates general fund PAYGO instead of GO bonds as the primary source of school construction funding through fiscal 2027.

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- The 21st Century Schools Facilities Program (Chapter 14 of 2018), included a provision expressing the intent of the General Assembly that public school construction funding, excluding the BTL program, meet or exceed \$400 million annually. Between fiscal 2019 and 2024, new school construction funding exceeded the legislative intent in all but one year, fiscal 2020. Chapter 32 of 2022 further increased the legislature’s intended annual funding level to \$450 million. However, while the fiscal 2024 budget as proposed exceeds the \$450 million funding level, the programmed level of funding in the *Capital Improvement Program* (CIP) for each of fiscal 2025 through 2028 falls short of the legislature’s intent.

PAYGO Recommended Actions

1. Concur with Governor’s allowance.

GO Bond Recommended Actions

1. Approve all general obligation bond and revenue bond authorizations.

Budget Overview of Grant and Loan Programs

The Interagency Commission on School Construction (IAC) is an independent commission within the Maryland State Department of Education (MSDE). IAC is currently responsible for the management and administration of seven school construction programs for local education agencies (LEA) and in some cases, nonpublic schools. In fiscal 2024, seven programs are funded in the Governor’s capital budget:

- the Public School Construction Program (PSCP), which is the primary school construction program in the State, receives \$485.0 million, including \$394.0 in PAYGO general and special funds and \$91.0 million in GO bonds;
- the Enrollment Growth and Relocatable Classroom (EGRC) Supplemental Capital Grant program, which provides funds for LEAs with enrollment growth that exceeds school building capacity, receives \$40.0 million in general fund PAYGO to meet the mandated funding level;
- the Healthy School Facility Fund (HSFF), which provides funds for urgent needs related to the health and safety of school buildings, receives \$90.0 million in GO bonds to meet the mandated funding level;

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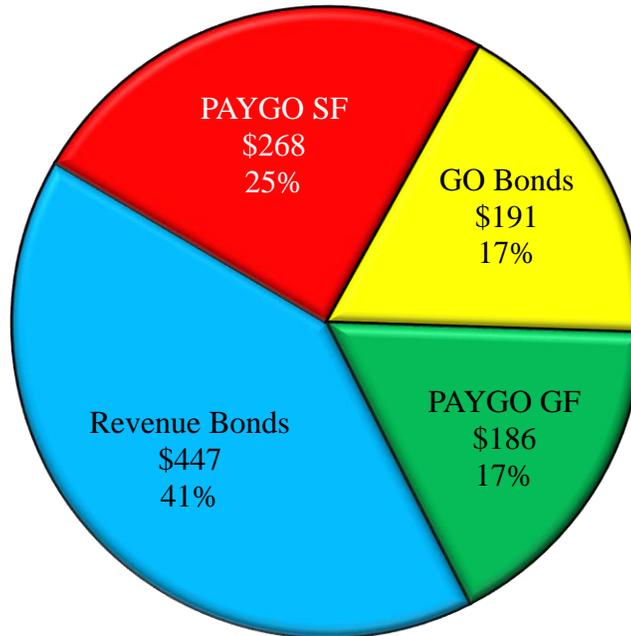
- BTL, which was established in Chapter 20 of 2020 as amended and provides up to \$2.2 billion in State funding school construction projects, is funded at \$447 million in revenue bonds;
- the Revolving Loan Fund, which assists LEAs in funding the local share of school construction projects and is part of BTL, receives \$20 million in general funds to meet the mandated funding level;
- the Aging Schools Program (ASP), which provides funds for repairs and maintenance for aging schools, is funded with \$6.1 million in GO bonds as mandated; and
- the Senator James E. “Ed” DeGrange Nonpublic Aging Schools (DeGrange) Program, which funds repairs and maintenance for nonpublic schools, is funded with \$3.5 million of GO bonds.

Of these seven programs, four are considered part of the State’s traditional public school construction program: PSCP; EGRC Supplemental Capital Grant Program; ASP; and the HSFF.

This analysis also includes information on BTL bond issuances and funding; Prince George’s County public-private partnership (P3); and the Baltimore City 21st Century Schools Program. For information on school safety grants, see the operating budget analysis for MSDE Headquarters – R00A01. For information on IAC’s administrative budget, see the operating budget analysis for IAC Headquarters – R00A07. Detailed descriptions of these programs can be found in **Appendix 2**.

As shown in **Exhibit 1**, the proposed fiscal 2024 capital program provides \$1.1 billion for public school construction. Of this amount, \$447.2 million, or 41%, is from revenue bonds to be issued by the Maryland Stadium Authority (MSA) for BTL; \$268 million, or 25%, is special fund PAYGO from the Fiscal Responsibility Fund in the operating budget; \$191 million, or 17%, is GO bonds in the capital budget; and \$186 million, or 17%, is general fund PAYGO in the operating budget.

Exhibit 1
Fiscal 2024 Request by Fund Source
(\$ in Millions)

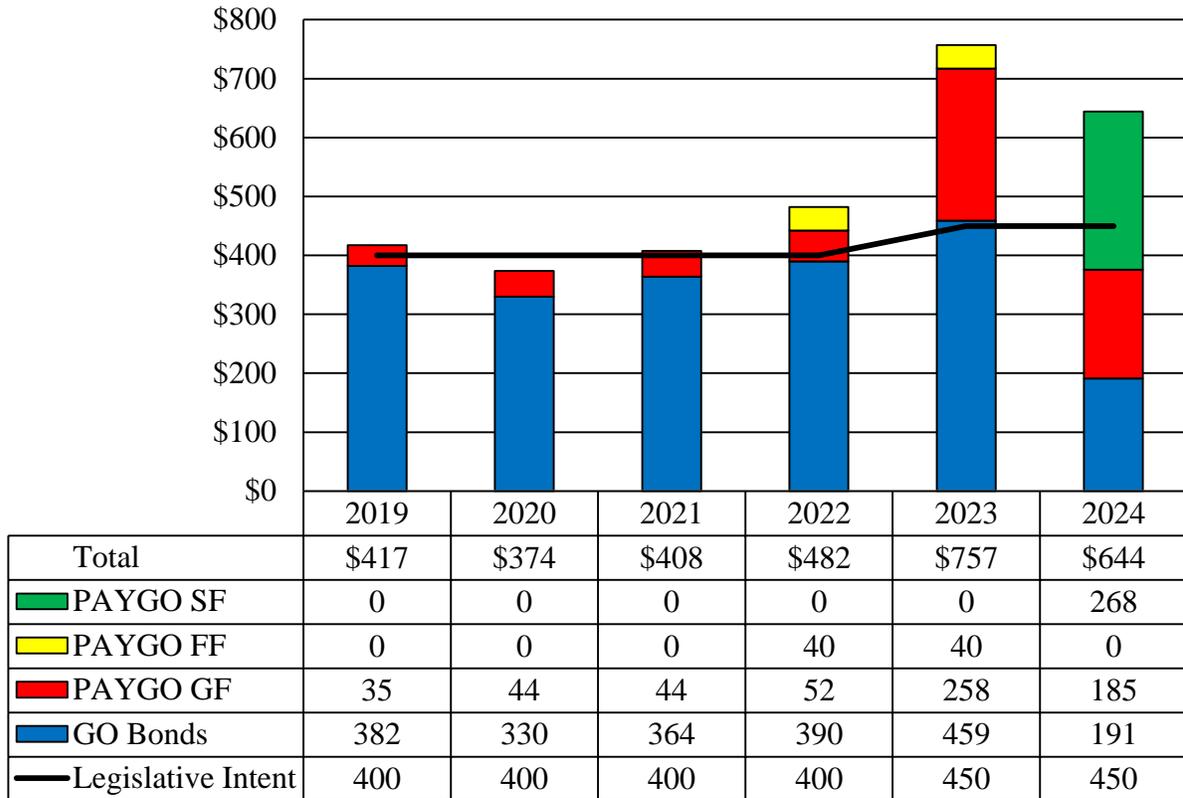


GF: general funds
GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Source: Department of Budget and Management

The 21st Century Schools Facilities Program included a provision expressing the intent of the General Assembly that public school construction funding, excluding BTL, meet or exceed \$400 million annually. **Exhibit 2** shows that between fiscal 2019 and 2024, new school construction funding exceeded the legislative intent in all but one year, fiscal 2020. Chapter 32 further increased the legislature’s intended annual funding level to \$450 million. In fiscal 2024, funding totals \$644 million.

Exhibit 2
New School Construction Funding by Source
Fiscal 2019-2024
(\$ in Millions)



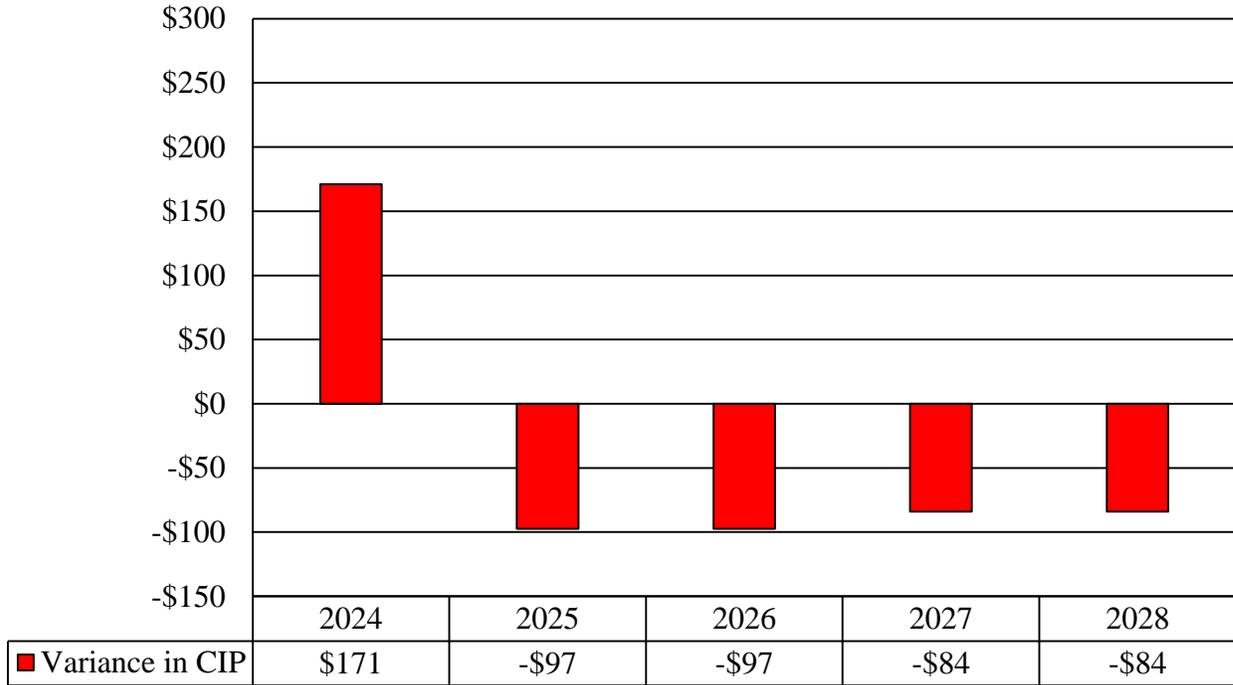
FF: federal funds
 GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Note: Does not include revenue bonds for Built to Learn or 21st Century Schools Program. Includes public and nonpublic school construction programs. Bond premiums are considered GO bonds.

Source: Interagency Commission on School Construction

Exhibit 3 shows the 2023 CIP programmed funding levels through fiscal 2028. While the fiscal 2024 budget as proposed exceeds the \$450 million funding level, the programmed level of funding in the CIP for each of fiscal 2025 through 2028 falls short of the legislature’s intent.

Exhibit 3
Governor’s Proposed CIP Allocation to School Construction
Falls Short of \$450 Million Annual Goal in Fiscal 2025 through 2028
Fiscal 2024-2028
(\$ in Millions)



CIP: *Capital Improvement Program*

Note: CIP public school construction programs include the Public School Construction Program, Supplemental Capital Grant Program, the Aging Schools Program, and the Healthy School Facilities Fund when not funded with federal funds.

Source: Fiscal 2024 Governor’s Budget Books

Public School Construction Program

PSCP is the primary statewide funding source for all LEAs for school construction and for the Maryland School for the Blind (MSB). IAC manages State review and approval of local school construction projects. Each year, LEAs develop and submit their facilities master plan to IAC, which includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each LEA submits a county CIP to IAC, which may include projects that an LEA

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has forward funded. For fiscal 2024, requests from 23 LEAs and MSB for 152 projects total \$833.4 million (Somerset County did not request funds in fiscal 2024).

In December 2022, IAC made fiscal 2024 75% funding allocations totaling \$209.5 million, not including design fees and statewide contingency reserve funds, based on the Governor’s preliminary \$280.0 million allocation as provided in the Governor’s Preliminary Capital Budget allocation letter required by statute to be submitted in November each year. In February 2023, IAC revised the 100% projected allocations for the \$485.0 million budgeted for fiscal 2024. Allocations for fiscal 2024 total \$447.0 million, which is 54% of requested funds for school construction. To the extent that the enacted capital budget provides more (or less) funding for public school construction than the Governor’s proposed budget, the 100% allocations would change accordingly. An additional \$38.5 million is reserved for other costs, including \$37.6 million for the Statewide Contingency Reserve, \$500,000 for design review fees, and \$400,000 for the emergency repair reserve fund. With these additional amounts in reserve, PSCP funding in fiscal 2024 totals \$485.5 million. **Exhibit 4** shows the requested amounts by each LEA, the number of projects, and IAC’s 75% and 100% funding recommendations.

Exhibit 4
Public School Construction Program 100% Recommendations
Fiscal 2024
(\$ in Millions)

<u>LEA</u>	<u>Fiscal 2024 CIP Requests Planning/Funding</u>	<u>Requests Approved</u>	<u>75% Funding Allocation</u>	<u>100% Recommendation (Projected)</u>	<u>% of Total Request</u>
Allegany	\$5.0	4	\$3.1	\$5.4	108%
Anne Arundel	31.6	22	20.5	33.3	105%
Baltimore City	264.3	23	22.4	46.1	17%
Baltimore	109.9	17	24.8	56.1	51%
Calvert	3.2	2	2.1	3.5	109%
Caroline	2.7	1	1.6	2.9	107%
Carroll	12.5	2	5.7	12.5	100%
Cecil	22.5	1	11.3	11.3	50%
Charles	40.8	2	6.6	15.8	39%
Dorchester	9.7	2	3.0	5.6	58%
Frederick	39.2	7	14.9	26.7	68%
Garrett	7.5	2	1.1	7.3	97%
Harford	20.1	3	8.7	19.8	99%
Howard	16.8	26	11.2	14.4	86%
Kent	1.4	1	1.1	1.4	100%
Montgomery	92.8	12	26.2	70.3	76%
Prince George’s	72.2	5	24.7	57.2	79%

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<u>LEA</u>	<u>Fiscal 2024 CIP Requests Planning/Funding</u>	<u>Requests Approved</u>	<u>75% Funding Allocation</u>	<u>100% Recommendation (Projected)</u>	<u>% of Total Request</u>
Queen Anne’s	6.8	3	1.1	4.5	66%
Somerset	0.0	0	0.0	0.0	0%
St. Mary’s	15.9	3	1.9	8.6	54%
Talbot	2.0	2	1.6	2.2	110%
Washington	8.8	7	4.9	9.8	111%
Wicomico	32.6	3	7.1	18.8	58%
Worcester	1.6	1	0.1	0.1	6%
Maryland School for the Blind	13.4	1	3.8	13.4	100%
Subtotal for LEA	\$833.3	152	\$209.5	\$447.0	54%
Statewide Contingency Reserve	\$0.0		\$0.5	\$37.6	
DGS Design Review Fees	0.0		0.0	0.5	
Emergency Repair Reserve	0.0		0.0	0.4	
Subtotal – Other	\$0.0		\$0.5	\$38.5	8%
Total	\$833.3	152	\$210.0	\$485.5	

CIP: *Capital Improvement Program*
DGS: Department of General Services
LEA: local education agency

Note: Numbers may not sum to total due to rounding.

Source: Interagency Commission on School Construction

In addition to these amounts for PCSP, some LEAs receive additional funding reserved from prior year allocations and recycled EGRC Supplemental Grant funds. In fiscal 2024, these allocations total \$39.0 million and include \$4.2 million in recycled funds for six LEAs and \$34.8 million in EGRC Supplemental Grant funding from prior years for four LEAs. With this funding in addition to the \$485.5 million, the 100% recommendation for PSCP funding totals \$524.5 million. **Appendix 1** shows the fiscal 2019 to 2023 allocations and total allocations from fiscal 1972 to 2023.

For 9 of 23 LEAs, fiscal 2024 PSCP recommendations exceed 100% of the requested amount. Although LEAs can recycle prior funding, it is not clear whether these LEAs will spend these funds in fiscal 2024 or later. **IAC should comment on why some LEA PSCP allocations exceed 100% and whether LEAs will resubmit plans to spend funds in fiscal 2024.**

EGRC Supplemental Grant Program

The EGRC Supplemental Grant Program was established in Chapter 355 of 2015 and amended in Chapter 20. The purpose of the program is to provide annual supplemental grants to local school systems experiencing significant enrollment growth or that have a high number of relocatable classrooms. Grant awards are subject to the State and the local cost-share formula for each LEA. From fiscal 2016 to 2023, nine LEAs have been eligible for funding: Anne Arundel; Baltimore; Caroline; Charles; Dorchester; Frederick; Howard; Montgomery; and Prince George’s counties (Dorchester County qualified for funding only in fiscal 2016 and 2017). In fiscal 2024, two additional LEAs receive funds, Wicomico and Worcester, and two LEAs, Howard and Caroline, do not receive funding. In this budget, a portion of funding is also reserved as “regionally unallocated.” Per Chapter 20, the current mandated allocation in fiscal 2024 is \$40.0 million; beginning in fiscal 2027, the mandate increases to \$80.0 million. Chapter 20 also changed the definition of “significant number of relocatable classrooms” to an average of more than 250 (instead of 300) relocatable classrooms over the past five years beginning in fiscal 2021.

The Governor’s fiscal 2024 proposed budget provides \$40.0 million, as mandated in Chapter 20, for nine LEAs plus unallocated funds. Fiscal 2023 allocations were based on the revised formula in Chapter 32, which includes an enrollment growth adjustment for any allowance over \$40 million. **Exhibit 5** shows these allowances.

Exhibit 5
Enrollment Growth and Relocatable Classroom Supplemental Grant Program
Fiscal 2020-2024
(\$ in Millions)

<u>Local Education Agency</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Anne Arundel	\$7.9	\$9.2	\$7.3	\$14.6	\$4.9
Baltimore County	10.8	9.5	9.4	7.9	6.5
Caroline	0.0	1.7	0.0	0.0	0.0
Carroll	0.0	0.0	0.0	0.0	1.5
Charles	0.0	0.0	0.0	4.4	1.6
Frederick	0.0	4.8	5.8	15.3	2.6
Harford	0.0	0.0	0.0	0.0	2.2
Howard	5.5	14.1	9.4	16.8	3.4
Montgomery	25.9	22.3	15.2	18.6	9.4
Prince George’s	18.1	13.4	12.9	17.8	7.5
Worcester	0.0	0.0	0.0	0.0	0.4
Total	\$68.2	\$75.0	\$60.0	\$95.4	\$40.0

Note: Fiscal 2024 allocations based on Interagency Commission on School Construction revised amounts, which will be adjusted in May 2023 when the *Capital Improvement Program* is finalized.

Source: Governor’s Fiscal 2024 *Capital Improvement Program*, Interagency Commission on School Construction

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In fiscal 2025 and 2026, the CIP funds the program with general fund PAYGO. In fiscal 2027 and 2028, the program is funded with GO bonds.

The Department of Legislative Services notes that this program has a significant amount of funds to be expended dating back to the inception of the program. Not including the fiscal 2023 allocation of \$95.4 million, total funds remaining to be expended total \$100.9 million between fiscal 2016 and 2022. **IAC should comment on why the program balance is over \$100 million and the reason for unallocated funds.**

Healthy School Facility Fund

The HSFF was established in Chapter 561 of 2018, with funding extended and revised in Chapter 20 and Chapter 32. The purpose of the fund is to provide grants to public primary and secondary schools in the State to improve the health of school facilities. In awarding grants from the fund, IAC must give priority based on the severity of issues in a school building, including air conditioning, heating, indoor air quality, mold remediation, temperature regulation, plumbing, windows, roofs, and any other severe issue in the school that required the school to be closed. Statute mandates specified funding levels for the HSFF through fiscal 2026. The mandated level of funding is at least \$40 million in fiscal 2023 and at least \$90 million for each of fiscal 2024 through 2026. At least 50% of grant funds awarded must be provided to projects in Baltimore City.

In fiscal 2020, the program received an initial allocation of \$30 million in general fund PAYGO, of which \$19.5 million has been expended to date. In fiscal 2021, although the Governor targeted this program for a reduction as part of proposed cost containment due to COVID-19, the program retained its allowance of \$30 million in PAYGO. However, due to this uncertainty, IAC did not provide grants to LEAs until after the fiscal year ended in July 2021. Of this amount, \$1.5 million has been expended to date. In fiscal 2022, HSFF received \$30 million in GO bond funds and \$40 million in American Rescue Plan Act (ARPA) federal funds, for a total of \$70 million. Because these funds are federal stimulus funds issued in March 2021, ARPA funds must be spent by September 30, 2024. In fiscal 2023, the HSFF received \$40 million in federal ARPA PAYGO funding and an additional \$50 million in GO bonds, which anticipated the mandated amount in Chapter 32.

In fiscal 2024, the HSFF receives \$90 million in GO bonds as mandated in Chapter 32. Because this program awards grants based on current needs, funds are not allocated until after the start of the fiscal year. With this schedule in mind, **Exhibit 6** shows HSFF allocations for fiscal 2021 thru 2023 by LEA.

Exhibit 6
Healthy Schools Facility Fund
Fiscal 2021-2023
(\$ in Millions)

<u>Local Education Agency</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Allegany	\$0.7	\$0.0	\$0.0	\$0.7
Anne Arundel	0	0.3	1.0	1.3
Baltimore City	15	32.6	45.0	92.6
Baltimore	11.2	11.4	4.0	26.6
Calvert	0.1	1.0	1.0	2.1
Caroline	0	0.0	0.0	0
Carroll	0.6	3.2	7.0	10.8
Cecil	0	0.0	1.0	1
Charles	2.5	0.3	5.0	7.8
Dorchester	1.8	3.5	0.0	5.3
Frederick	0.3	0.0	0.0	0.3
Garrett	0.3	7.9	8.0	16.2
Harford	0.2	2.7	1.0	3.9
Howard	0.2	1.7	0.0	1.9
Kent	0	0.0	0.0	0
Montgomery	0.1	0.0	0.0	0.1
Prince George’s	0	1.6	9.0	10.6
Queen Anne’s	0	0.0	0.0	0
Somerset	0	0.0	0.0	0
St. Mary’s	0	0.0	0.0	0
Talbot	0	0.0	0.0	0
Washington	0.6	0.0	0.0	0.6
Wicomico	1	1.2	7.0	9.2
Worcester	0	0.0	0.0	0
Maryland School for the Blind	0	0.3	0.0	0.3
Unallocated	0	2.3	1.0	3.3
Total	\$34.6	\$70.0	\$90.0	\$194.6

Note: Fiscal 2021 total includes recycled funds.

Source: Interagency Commission on School Construction

IAC should comment on the current status of HSFF grants, the timetable for unexpended fund balances, and how the agency is prioritizing ARPA funding to ensure that those funds are spent prior to the September 30, 2024, deadline.

Aging Schools Program

The fiscal 2024 capital budget funds ASP at the statutory allocation, which is \$6.1 million in GO bond funding. Amounts by LEA are part of the statutory allocation and do not vary by year. **Exhibit 7** shows the fiscal 2018 through 2023 average allocations, which include prior year contingent funds, and fiscal 2024 allocations.

Exhibit 7
Aging Schools Program
Fiscal 2018-2024
(\$ in Thousands)

<u>Local Education Agency</u>	<u>Average Expenditure Fiscal 2018-2023</u>	<u>Projected 2024</u>
Allegany	\$97.8	\$97.8
Anne Arundel	506.0	506.0
Baltimore City	1,387.9	1,387.9
Baltimore	1,016.0	874.2
Calvert	38.4	38.3
Caroline	50.1	50.1
Carroll	138.1	137.3
Cecil	100.5	96.0
Charles	61.4	50.1
Dorchester	38.3	38.3
Frederick	184.0	182.6
Garrett	38.3	38.3
Harford	222.5	217.4
Howard	87.8	87.8
Kent	50.3	38.3
Montgomery	602.7	602.7
Prince George’s	1,260.5	1,209.4
Queen Anne’s	50.9	50.1
St. Mary’s	50.1	50.1
Somerset	38.3	38.3
Talbot	47.7	38.3
Washington	134.9	134.9
Wicomico	108.8	106.6
Worcester	38.3	38.3
Total	\$6,349	\$6,109

Note: Allocation amounts include unspent, recycled funds from previous years. The Baltimore City allocation includes \$1.5 million to be distributed to the Knowledge is Power Program Public Charter School during the fiscal 2021 through 2023 period.

Source: Interagency Commission on School Construction

James E. “Ed” DeGrange Nonpublic Aging Schools Program

The DeGrange Nonpublic Aging Schools Program is a nonstatutory program that was first funded in Chapter 424 of 2013 (the fiscal 2014 capital budget bill) and has been renewed in the budget bill in subsequent years. This grant program provides funding to nonpublic schools for minor renovations and infrastructure repairs. Grants are limited to nonpublic schools, excluding preschools, which meet the eligibility requirements for funding through the Aid to Non-Public Schools Program. In the fiscal 2024 budget, the program allowance is \$3.5 million in GO bonds, which maintains the same funding level as previous years.

Language in the fiscal 2024 capital budget bill stipulates the criteria for program participation. The program limits an individual school’s grant to no more than \$100,000 and no less than \$5,000; IAC must prorate the grants if additional funding is available. Three criteria are used to determine maximum funding per school: (1) at least 20% of the school’s students being eligible for free and reduced-price meals; (2) tuition charged to students being less than the statewide average per pupil expenditure; and (3) the school having a facility with an average age of 50 years or older. Schools may receive up to a maximum allocation based on how many criteria it meets:

- up to \$25,000 for schools meeting one criterion;
- up to \$75,000 for schools meeting two criteria; and
- up to \$100,000 for schools meeting three criteria.

IAC has not yet awarded fiscal 2023 grants; fiscal 2021 and 2022 grants have been awarded for the total amount. **Exhibit 8** shows these awards by county for fiscal 2020 to 2022.

Exhibit 8
DeGrange Nonpublic Aging Schools Program
Fiscal 2020-2022
(\$ in Thousands)

<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>	<u>% of Total</u>
Allegany	\$22.9	\$22.9	\$26.7	\$72.6	0.7%
Anne Arundel	183.4	183.4	133.6	500.4	4.8%
Baltimore City	832.9	588.4	614.6	2,035.8	19.4%
Baltimore	588.4	832.9	768.2	2,189.4	20.9%
Calvert	38.2	38.2	40.1	116.5	1.1%
Caroline	0.0	0.0	0.0	0.0	0.0%
Carroll	30.6	30.6	33.4	94.5	0.9%
Cecil	45.8	45.8	46.8	138.5	1.3%
Charles	61.1	61.1	59.6	181.8	1.7%
Dorchester	22.9	22.9	0.0	45.8	0.4%
Frederick	22.9	22.9	66.8	112.6	1.1%
Garrett	0.0	0.0	26.7	26.7	0.3%
Harford	68.8	68.8	73.5	211.0	2.0%
Howard	91.7	91.7	147.0	330.3	3.2%
Kent	0.0	0.0	0.0	0.0	0.0%
Montgomery	618.9	618.9	601.2	1,839.0	17.5%
Prince George’s	473.7	473.7	487.4	1,434.9	13.7%
Queen Anne’s	30.6	30.6	0.0	61.1	0.6%
Somerset	122.3	0.0	0.0	122.3	1.2%
St. Mary’s	76.4	122.3	100.2	298.9	2.9%
Talbot	76.4	76.4	60.1	212.9	2.0%
Washington	61.1	76.4	153.6	291.2	2.8%
Wicomico	0.0	61.1	53.4	114.6	1.1%
Worcester	31.0	0.0	6.7	37.7	0.4%
Unallocated	0.0	31.0	0.5	31.5	0.3%
Total	\$3,500.0	\$3,500.0	\$3,500.0	\$10,500.1	100.0%

Source: Interagency Commission on School Construction

This exhibit shows that in the past three years, four jurisdictions have received approximately \$7.1 million, or 71%, of funds during this period: Baltimore City; and Baltimore, Montgomery, and Prince George’s counties. All other jurisdictions have received less than 5% of awards, with nonpublic schools in Caroline and Kent counties not receiving any funds during the last three years.

Budget bill language stipulates that after three years, unexpended funds are transferred to the Unreserved Statewide Contingency Account for public school construction, which for fiscal 2024 would be funds remaining from fiscal 2019 and prior years. The Governor’s current CIP states that balance as \$1.8 million. **IAC should comment on when this fund balance will be transferred to the Unreserved Statewide Contingency Account.**

Built to Learn

Following the success of the Baltimore City 21st Century Schools Program, Chapter 20 established the BTL Program, which uses a similar financing model to construct or renovate schools statewide. The BTL Program is fully financed by the State, and BTL projects are subject to the State and local cost-share formula. BTL Program funding supplements State funding for school construction from other sources; local school systems can commingle funding from PSCP and the BTL Program to finance school construction projects.

Debt Service

Chapter 20 authorizes MSA to issue up to \$2.2 billion in revenue bonds to support public school facilities. The bonds are backed by mandated State appropriations from the Education Trust Fund (ETF). Prior to the issuance of any BTL bonds, MSA and IAC must enter into a program memorandum of understanding (MOU) that sets forth, among other things, the selection criteria under which schools will receive priority in funding under this program. This program MOU was approved in July 2021. Additionally, Chapter 20 requires an MOU between MSA, local boards of education, and local governments for proposed projects before any BTL funds may be allocated to a project. Any allocation for an approved project must be used within 10 years or be subject to reallocation.

The Supplemental Public School Construction Financing Fund is used to pay debt service on bonds issued by MSA for State school construction projects and all reasonable charges and expenses related to the issuance of bonds. The revenue source for this fund is transfers from the ETF, which collects proceeds from video lottery terminals and table games at licensed gaming facilities. Annual debt service funded with the ETF deposits is as follows:

- \$60,000,000 in fiscal 2023; and
- \$125,000,000 in fiscal 2024 and subsequent years; or
- \$100,000,000 beginning in fiscal 2026 if Prince George’s County enters a P3 agreement.

To support BTL, MSA is issuing 30-year bonds. Bonds were issued in calendar 2021 and 2022. **Exhibit 9** shows that the average debt service costs for the first two sales is \$37 million, leaving another \$63 million in debt service capacity. Proceeds provided \$699 million for the project fund.

Exhibit 9
Built to Learn Bond Issuances
Fiscal 2021-2052
(\$ in Millions)

	Series 2021	Series 2022	Total
Fiscal Year That Issuance Matures	2051	2052	
Par Value	\$257.0	\$373.1	\$630.0
Premium Net of Issuance and Capitalized Interest Costs	28.9	40.4	69.3
Total Available for Project Fund	\$285.9	\$413.5	\$699.3
Average Annual Debt Service Year 3 to 29 ¹	\$14.8	\$21.7	\$36.4
Final Annual Debt Service Payment ²	14.8	36.5	
True Interest Cost	2.83%	3.21%	
Bond Buyer 20-Bond Index in Week of Sale	2.28%	3.19%	

¹ Since the fund earns interest, actual debt service could exceed the \$100 million appropriation in some fiscal years.

² Bonds mature in 30 years. When an issuance matures and no longer pays debt service, the subsequent issuance has a balloon payment in its final year.

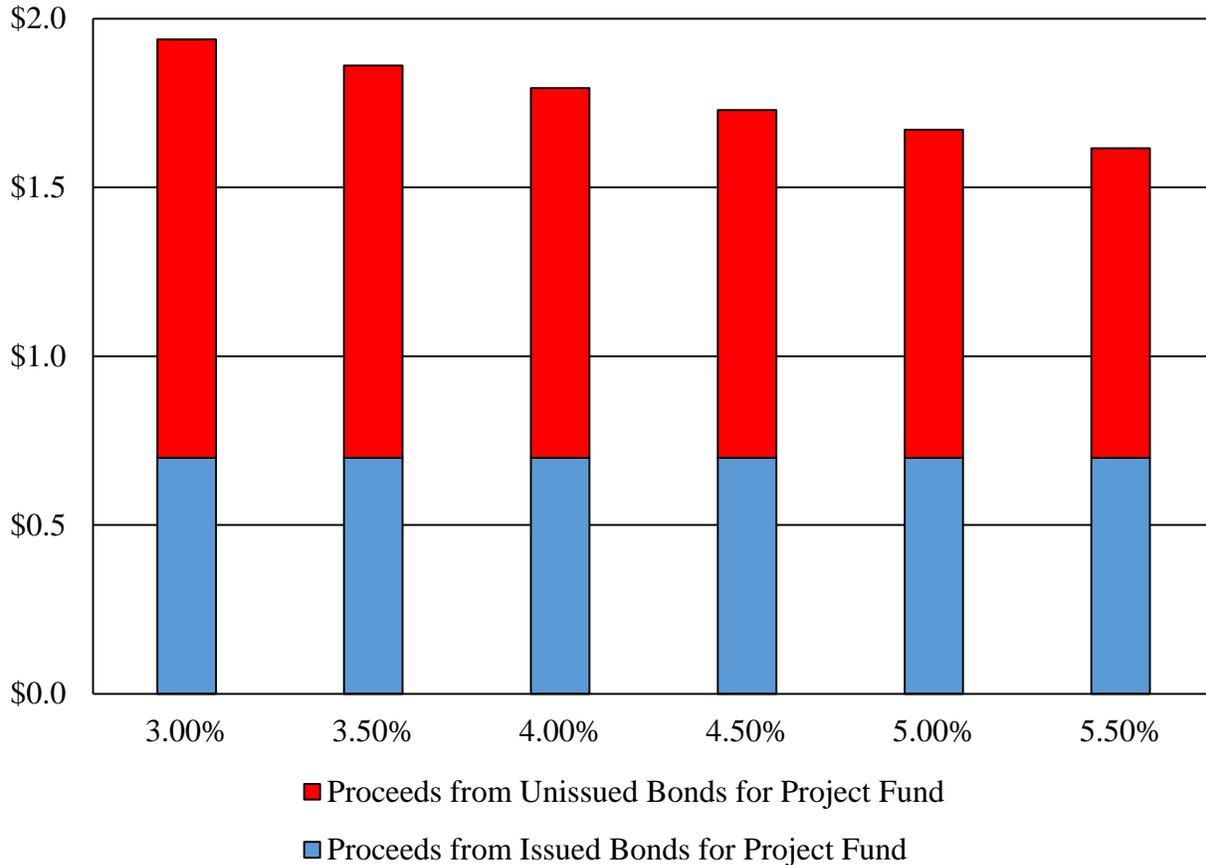
Note: Numbers may not sum to total due to rounding.

Source: BofA Securities

In its December 2022 *Built to Learn Program and Allocations* report, IAC is planning for \$1.7 billion in bond proceeds to support school construction projects for Baltimore City and all counties except Prince George’s County. Recent increases in interest rates reduce how much construction BTL can support under current laws. Since debt service is fixed at \$100 million per year beginning in fiscal 2026, higher interest rates reduce bond proceeds. **Exhibit 10** shows that if rates remain at current levels for the remaining sales, ETF revenues support just under \$1.9 billion in projects.¹

¹ Interest rates are not the only factor that will affect how much the proceeds will generate. Other factors like the timing of bond sales, how much interest the fund generates, how bond sales are structured, refunding opportunities, and how many sales there are, also affect proceeds. However, it is clear that the dominant factor is interest rates on the days that bonds are sold.

Exhibit 10
Interest Rates on Proceeds for BTL Bonds
Fiscal 2023
(\$ in Billions)



BTL: Built to Learn

Source: BofA Securities; Department of Legislative Services

Although BTL funds are intended to fund new school construction projects, eligible projects can also include systemic renovations or projects at multiple schools that exceed \$4 million. LEAs can also apply for planning funds, and projects that were not already funded and under construction by June 2021 are eligible for reimbursement. Local governments must provide their local match for all BTL Act projects, and cost-share percentages will apply to the whole project, including planning; design and development; and furniture, fixtures, and equipment. IAC must approve all projects. **Exhibit 11** shows BTL allowances and allocations as of December 2022, with \$1.7 billion in projected funding allocated per the statutory percentage.

Exhibit 11
Built to Learn Allowances and Allocations
Fiscal 2022-2023
(\$ in Millions)

<u>Local Education Agency</u>	<u>Statutory Percentage</u>	<u>Projected Allowance</u>	<u>Approved Allocation</u>	<u>Remaining Allocation</u>
Allegany	0.4%	\$6.5	\$0.0	\$6.5
Anne Arundel	12.5%	212.5	162.6	49.9
Baltimore City	21.0%	357.0	125.6	231.4
Baltimore	21.0%	357.0	199.0	158.0
Calvert	0.7%	12.7	0.0	12.7
Caroline	0.3%	4.5	0.0	4.5
Carroll	1.2%	20.2	20.2	0.0
Cecil	0.7%	11.8	0.0	11.8
Charles	1.3%	21.6	16.9	4.7
Dorchester	0.2%	3.7	0.0	3.7
Frederick	5.1%	86.7	86.7	0.0
Garrett	0.2%	3.0	0.0	3.0
Harford	1.8%	30.3	30.3	0.0
Howard	6.6%	112.2	35.0	77.2
Kent	0.1%	1.4	0.0	1.4
Montgomery	21.0%	357.0	258.9	98.1
Queen Anne's	0.4%	6.1	0.0	6.1
St. Mary's	0.8%	13.9	0.0	13.9
Somerset	0.1%	2.2	0.0	2.2
Talbot	0.2%	3.6	0.0	3.6
Washington	1.0%	17.7	0.0	17.7
Wicomico	0.7%	11.7	11.7	0.0
Worcester	0.3%	5.2	0.0	5.2
Unallocated	2.4%	41.5	0.0	41.5
Total	100%	\$1,700.0	\$946.9	\$753.1

Note: Numbers may not sum to total due to rounding. Does not include Prince George’s County for startup costs for public-private partnership projects. Projected allowance is approximate based on \$1.7 billion in currently projected bond issuances and is subject to change.

Source: Interagency Commission on School Construction; Department of Legislative Services.

Prince George’s P3

Chapter 20, as amended in Chapter 32, authorized State funding for a P3 agreement for Prince George’s County. A P3 agreement is defined as one in which a county government and county board of education contract with a private entity for the acquisition, design, construction, improvement, renovation, expansion, equipping, or financing of a public school. It may include provisions for the operation and maintenance of a school, for cooperative use of a school or an adjacent property, and for the generation of revenue to offset the cost of construction or use of the school. This agreement must be reviewed by MSA and approved by IAC.

Per changes in Chapter 32, Prince George’s County may now enter into a specified P3 agreement by July 1, 2026. MSA must deposit \$25.0 million annually, beginning in fiscal 2025 and not after fiscal 2054, into the Prince George’s County P3 Fund. In order for Prince George’s County to receive these annual payments, the P3 agreement must include a minimum of six schools that will be improved, constructed, renovated, operated, and maintained under the P3 agreement and a commitment by the Prince George’s County government and school board to provide the local share of the availability payment. Under Chapter 20, MSA must review the P3 agreement, and IAC must approve it before State funds may be used to support the P3 agreement.

Revolving Loan Fund

The School Construction Revolving Loan Fund was initially established in Chapter 14, but revised most recently in Chapter 32, to provide low- or no-interest loans to local governments to forward fund the local or State share of school construction projects. Local projects must receive planning approval from IAC to be eligible for a loan. In awarding loans, the commission must give priority to counties that have not forward funded projects and that have limited debt capacity. Loans from the fund must be repaid within five years, subject to a waiver process. Local governments may use loan funds for projects funded by either PSCP or the BTL Program. Although the fund was established in 2018, funding was not required until fiscal 2024. In fiscal 2023, the fund receives \$20 million in discretionary funding. In fiscal 2024, the proposed budget allocates the statutory amount of \$20 million as well as \$10 million in each of fiscal 2025 and 2026.

IAC reports that, as of February 2023, no loans have been processed for this fund. **IAC should comment on the status of the fund and whether fiscal 2024 funding is needed.**

Baltimore City 21st Century Schools Program

The Baltimore City Public Schools (BCPS) system has the oldest school buildings in the State. In response to the critical need for public school facility improvements in Baltimore City, Chapter 647 of 2013 established a new partnership between the State, Baltimore City, and BCPS to fund up to \$1.1 billion in public school facility improvements through revenue bonds to be

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issued by MSA. There are two nonbudgeted funds administered by MSA to finance the improvements to BCPS facilities. These funds are supported by annual contributions from Baltimore City, the Baltimore City Board of School Commissioners, and the State (through lottery proceeds). The funds pay for the debt service; design and construction costs; startup costs; administration; overhead; and operations related to management, including all reasonable charges and expenses related to MSA oversight and project management responsibilities. The last issuance for this program occurred in February 2022. **Exhibit 12** shows that \$1,045 million in par value was issued.

Exhibit 12
Baltimore City School Revitalization Bonds’ Issuances
Calendar 2016-2020
(\$ in Millions)

<u>Series</u>	<u>Amount</u>
Prior Issuances	
Series 2016 Par Value	\$293,225
Series 2018 A Par Value	398,705
Series 2020 A Par Value	194,035
Series 2020 B Par Value	33,960
Series 2020 C Par Value	287,705
Less Refunding Escrow Balance: Series 2020 C	-229,105
<i>Subtotal</i>	<i>\$978,525</i>
Final Issuance – July 2022	
Series 2022 A Par Value ¹	\$0
Series 2022 B Par Value ¹	0
Series 2022 C Par Value	66,050
Less Refunding Escrow Balance: Series 2022 A	0
<i>Subtotal</i>	<i>\$66,050</i>
Total	\$1,044,575

¹ Not issued due to market conditions.

Source: Maryland Stadium Authority

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Under the terms of the MOU between Baltimore City and MSA, between 23 and 28 schools were to be replaced or renovated as part of this program; and due to favorable financial conditions and effective project management, the program is on track to complete 28 new or renovated buildings (housing 33 schools) by September 2024. As of June 2022, 24 schools were completed and occupied, with 3 schools in the construction phase and 1 school still in the planning phase. Of the 3 schools under construction, 2 schools are projected to open by January 2023, and 1 school is projected to open by September 2023. The final school is projected to be completed by September 2024.

Fiscal 2023 Pass-through Grants

The fiscal 2023 budget bill authorized a total of \$237.0 million in GO bonds for the Pass-through Grant for 22 of 24 counties, not including Anne Arundel and Montgomery (they did not qualify for the program based on the required increase in gross area baselines, which determine the eligible gross square footage per student. These funds are block grants that can be combined with other State school construction projects, if needed. Although local match does not apply to projects funded through the Pass-through Grant, if program funds are combined for a project, then the State share percentage applies to the project funded through another program. The Pass-through Grant funds may not be used to replace the local share of projects that receive funding through any other IAC program.

In order to receive funds, a county must determine project priority. Once IAC has received that priority either directly from the county or as concurrence with an LEA submission, then IAC will allocate funds to the LEA for the specified projects. Once the county receives IAC approval for the project, depending on the project either the LEA or the county is responsible for the work.

Exhibit 13 shows the allocations and expended funds for this program as of December 2022. As of that date, IAC has approved \$15.3 million in projects for five counties: Caroline; Charles; Frederick; Talbot; and Wicomico. Other counties have all funds remaining and have until the end of fiscal 2023 to encumber funds.

Exhibit 13
Fiscal 2023 Pass-through Grants
 (\$ in Thousands)

<u>County</u>	<u>Appropriation</u>	<u>Approved</u>	<u>Remaining</u>
Allegany	\$82.9	\$0.0	\$82.9
Anne Arundel	0.0	0.0	0.0
Baltimore City	75,000.0	0.0	75,000.0
Baltimore	80,000.0	0.0	80,000.0
Calvert	161.7	0.0	161.7
Caroline	56.9	56.9	0.0
Carroll	266.2	0.0	266.2
Cecil	153.2	0.0	153.2
Charles	5,000.0	5,000.0	0.0
Dorchester	46.7	0.0	46.7
Frederick	10,000.0	10,000.0	0.0
Garrett	32.2	0.0	32.2
Harford	398.9	0.0	398.9
Howard	35,000.0	0.0	35,000.0
Kent	18.5	0.0	18.5
Montgomery	0.0	0.0	0.0
Prince George’s	30,000.0	0.0	30,000.0
Queen Anne’s	77.1	0.0	77.1
Somerset	180.8	0.0	180.8
St. Mary’s	27.7	0.0	27.7
Talbot	45.8	44.1	1.7
Washington	228.2	0.0	228.2
Wicomico	150.2	150.2	0.0
Worcester	69.2	0.0	69.2
Unallocated/Statewide	4.0	0.0	4.0
Total	\$237,000.0	\$15,251.2	\$221,748.8

Note: Numbers may not sum to total due to rounding. Unallocated amount is based on rounding may be subject to change.

Source: Interagency Commission on School Construction

Unexpended Balances

The Governor’s CIP provides detail on unexpended balances by fiscal year and program. From the year of issuance, LEAs have seven years to expend funds. In the fiscal 2024 CIP, unexpended balances total \$544 million from five programs, with \$103.0 million prior to 2018. Funds allocated prior to fiscal 2016 would be eligible to be canceled or transferred to the unallocated statewide contingency fund. **Exhibit 14** shows these fund balances by fiscal year and program.

Exhibit 14
Unexpended Balances
Prior to Fiscal 2018-2022
(\$ in Millions)

<u>Program</u>	<u>Prior to 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
PSCP	\$95.5	\$21.2	\$24.1	\$52.4	\$123.5	\$316.7
HSFF	0.0	0.0	10.5	28.3	70.0	108.8
EGRC	4.1	12.6	20.2	22.7	41.4	101.0
ASP	2.2	0.7	1.1	1.9	4.0	9.9
DeGrange Program	1.2	0.6	1.3	1.0	3.5	7.6
Total	\$103.0	\$35.1	\$57.2	\$106.3	\$242.4	\$544.0

ASP: Aging Schools Program

DeGrange Program: DeGrange Nonpublic Aging Schools Program

EGRC: Enrollment Growth and Relocatable Classroom Supplemental Grant Program

HSFF: Healthy School Facility Fund

PSCP: Public School Construction Program

Source: Governor’s Fiscal 2024 *Capital Improvement Program*

Because the CIP does not breakout unexpended balances by fiscal year and program prior to fiscal 2018, IAC should report this information.

Contingency Funds

Per requirements in § 5-303 of the Education Article, IAC is responsible for submitting a quarterly report on contingency balances. In the past two years, IAC has not submitted these reports in a timely manner; in calendar 2022, the last quarterly report submitted had balances reported as of March 2022. As of February 2023, IAC has three quarterly reports due with balances for June 2022, September 2022, and December 2022. **IAC should comment on why the agency has not submitted mandated quarterly reports.**

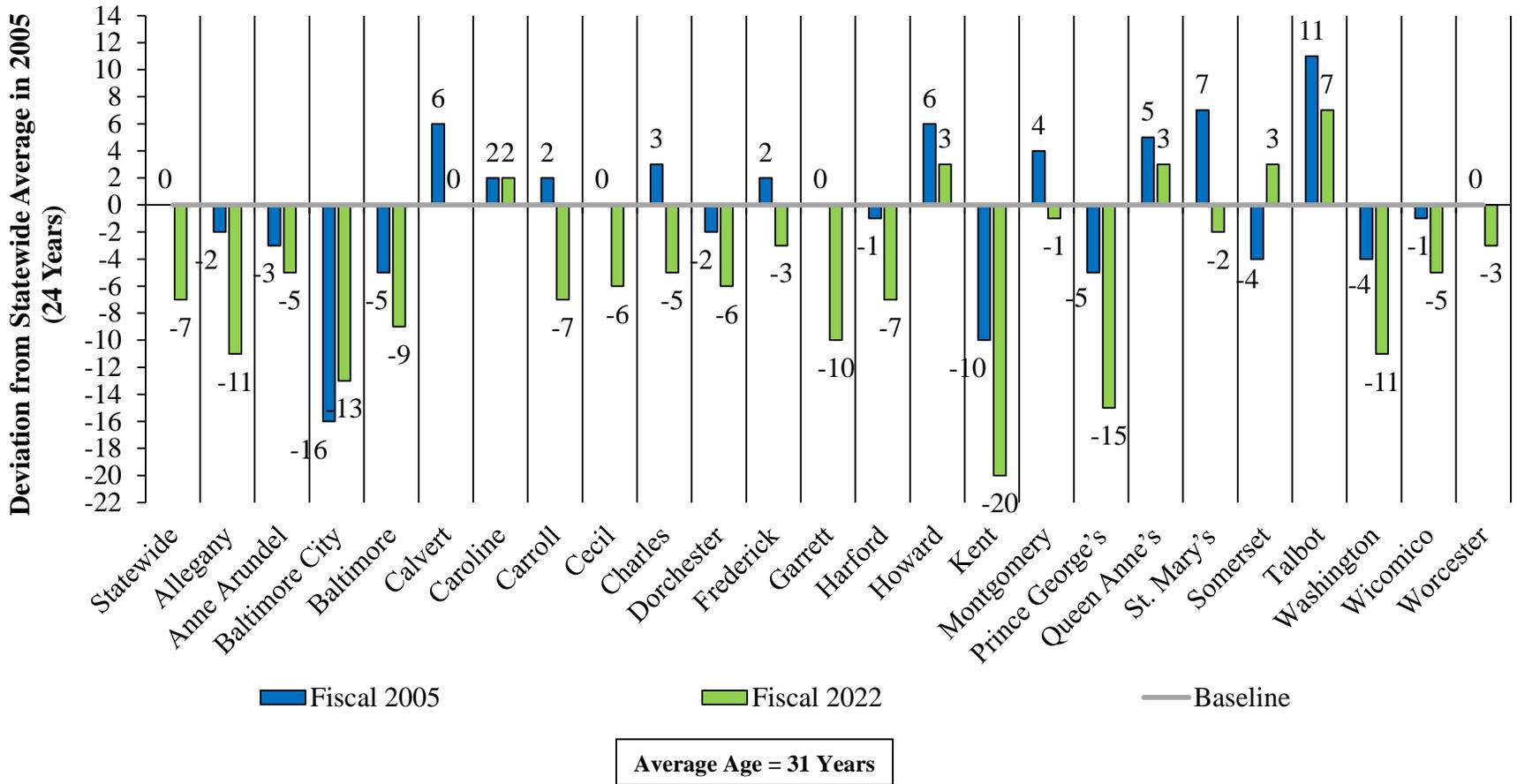
Performance Measures and Outputs

Statewide Square Footage

One of IAC’s performance goals focuses on the equity and quality of Maryland’s school facilities and whether they are safe physical environments for teaching and learning. As illustrated in **Exhibit 15**, one performance goal measures the average age of each LEA’s assigned public school facility square footage against the State baseline average age. This measure has been in place since fiscal 2005, which serves as the baseline year, when the average age of State square foot was 24 years. In fiscal 2022, the statewide average is 31 years.

Exhibit 15

**Deviation from Statewide Average of Public School Facilities by Local Education Agency
Fiscal 2022**



Source: Fiscal 2024 Interagency Commission for School Construction, Managing for Results

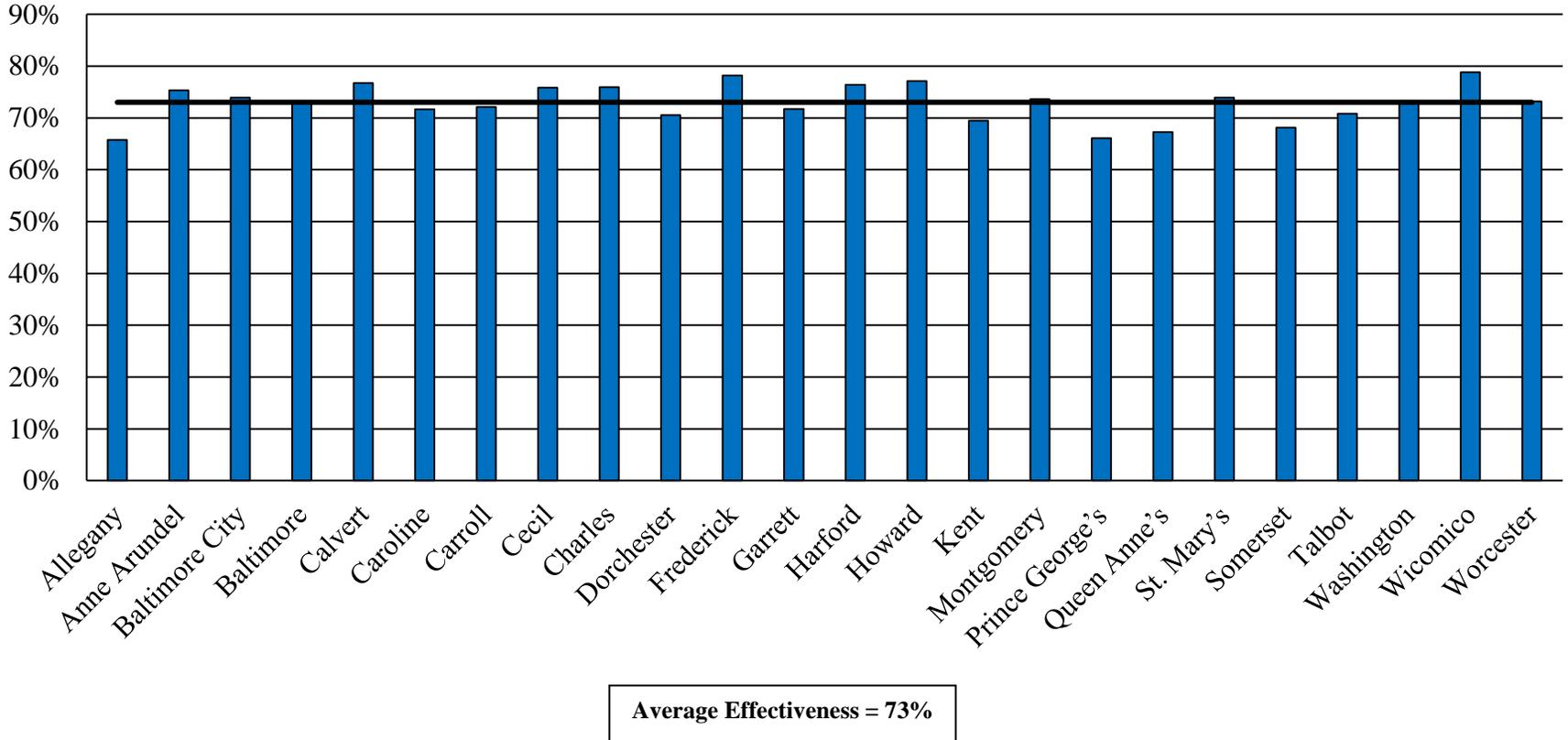
Annual Maintenance Assessment

In calendar 2021, IAC developed a new Maintenance Effectiveness Assessment with LEA input. This new assessment was implemented for fiscal 2021 and is based upon a more stringent rubric that is designed to reduce the subjectivity of the assessments. Elements of this new rubric include:

- 21 categories of components grouped into five major building systems – site, exterior, interior, equipment and systems, and maintenance management;
- weights for each component that reflect its impact on teaching and learning;
- five rating levels (superior, good, adequate, not adequate, and poor) with specific criteria and a rating factor for each level; and
- use of management software to produce an overall facility maintenance rating.

Exhibit 16 displays the results for fiscal 2022, the second year of this assessment, which shows an average score of 73%. Out of 24 LEAs, 14 scored above or at this average, and 10 scored below.

**Exhibit 16
Maintenance Effectiveness Assessment
Fiscal 2022**



Source: Interagency Commission on School Construction, Fiscal 2024 Managing for Results

Appendix 1
Public School Construction Funding
Fiscal 2019-2023
(\$ in Thousands)

<u>Local Education Agency</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Allocation 2019-2023</u>	<u>Total Allocation 1972-2022</u>	<u>% of Total Since 2019</u>
Allegany	\$448	\$294	\$218	\$261	\$412	\$1,633	\$152,183	1.1%
Anne Arundel	3,099	3,693	3,856	20,160	4,271	35,079	980,764	3.6%
Baltimore City	7,291	5,269	7,087	20,884	17,909	58,440	1,168,588	5.0%
Baltimore	4,558	6,052	5,389	25,830	11,880	53,709	1,185,958	4.5%
Calvert	1,018	227	418	1,345	868	3,876	228,334	1.7%
Caroline	74	1,165	1,376	479	226	3,320	91,371	3.6%
Carroll	753	775	1,045	3,883	2,095	8,551	301,470	2.8%
Cecil	562	416	395	551	687	2,611	172,634	1.5%
Charles	1,544	1,404	1,250	3,255	3,524	10,977	346,400	3.2%
Dorchester	1,132	411	599	662	467	3,271	131,543	2.5%
Frederick	2,021	1,683	2,301	10,871	4,881	21,757	589,180	3.7%
Garrett	29	48	183	1,219	1,106	2,585	69,950	3.7%
Harford	1,329	1,322	1,318	4,745	1,268	9,982	431,625	2.3%
Howard	1,158	658	3,260	6,346	6,806	18,228	614,673	3.0%
Kent	27	149	323	16	233	748	23,215	3.2%
Montgomery	6,355	5,971	5,631	30,574	4,354	52,885	1,549,215	3.4%
Prince George's	5,249	5,374	4,827	4,336	12,426	32,212	1,009,974	3.2%
Queen Anne's	115	72	130	237	453	1,007	93,188	1.1%
St. Mary's	681	481	558	577	788	3,085	206,513	1.5%
Somerset	1,780	320	314	81	27	2,522	112,841	2.2%
Talbot	868	909	321	138	113	2,349	48,855	4.8%
Washington	1,263	1,182	845	880	1,041	5,211	222,010	2.3%
Wicomico	1,044	1,146	1,051	2,617	3,342	9,200	254,059	3.6%
Worcester	466	437	151	501	31	1,586	87,136	1.8%
Maryland School for the Blind	1,422	740	678	202	1,521	4,563	77,209	5.9%
Total	\$44,286	\$40,198	\$43,524	\$140,650	\$80,729	\$349,387	\$10,148,888	3.4%

Note: Does not include funds for the 21st Century Schools and Built to Learn programs.

Source: Interagency Commission on School Construction

Appendix 2
State Cost Share
Fiscal 2020-2024

The State pays at least 50% of eligible costs of PSCP school construction and renovation projects based on a funding formula that accounts for numerous factors, including each county’s wealth and ability to pay. Statute requires that the cost-share formula be recalculated every two years (previously, statute required recalculation every three years). This table shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2020 to 2024 as approved by IAC. Counties whose calculated State share would have been lower in fiscal 2023 than in fiscal 2022 were held harmless by Chapter 698, and Garrett County’s State share was adjusted in accordance with provisions of Chapter 698.

<u>Local Education Agency</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Allegany	89%	89%	90%	90%
Anne Arundel	50%	50%	50%	50%
Baltimore City	96%	96%	96%	96%
Baltimore	57%	57%	61%	61%
Calvert	53%	53%	56%	56%
Caroline	87%	87%	88%	88%
Carroll	59%	59%	59%	59%
Cecil	66%	66%	66%	66%
Charles	65%	65%	65%	65%
Dorchester	82%	82%	93%	93%
Frederick	64%	64%	65%	65%
Garrett	50%	50%	90%	90%
Harford	63%	63%	63%	63%
Howard	55%	55%	56%	56%
Kent	50%	50%	50%	50%
Montgomery	50%	50%	50%	50%
Prince George’s	70%	70%	73%	73%
Queen Anne’s	51%	51%	51%	51%
St. Mary’s	58%	58%	58%	58%
Somerset	100%	100%	100%	100%
Talbot	50%	50%	50%	50%
Washington	79%	79%	79%	79%
Wicomico	100%	100%	100%	100%
Worcester	50%	50%	50%	50%
Maryland School for the Blind	93%	93%	93%	93%

Source: Interagency Commission on School Construction

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Chapter 32 introduced incentives to increase the State cost share at the project level. These incentives include the following amounts added to the cost share of a proposed project as applicable:

- a 10 percentage point increase in the State share for schools with a concentration of poverty level of 80% or greater;
- a 5 percentage point increase in the State share for schools with a concentration of poverty level of between 55% and 80% (not inclusive);
- a 5 percentage point increase in the State share for schools that achieve specified ratings on their most recent maintenance assessment;
- a 5 percentage point increase in the State share for schools built as net-zero buildings; and
- a 5 percentage point increase in the State share for projects with an estimated total cost of ownership (including design, construction, operation, and maintenance) that is at least 15% less than baseline levels, subject to repayment if the completed project does not meet that threshold.